



**Questions and Answers for NSLSC Call Centre Use Regarding
Budget 2019 Announcements**

Making Canada Student Loans More Affordable and Accessible

BUDGET ANNOUNCEMENT

<https://budget.gc.ca/2019/docs/plan/chap-01-en.html#Affordable-and-Accessible-Education>

Introduction and Scope

Budget 2019 announced several initiatives to make student financial assistance more accessible and affordable. This Q&As document provides responses to potential questions from borrowers regarding implementation dates and specific details for each measure.

Implementation Dates

1. When do lower interest rates take effect?

The reduced interest rates, specifically lowering the variable rate to prime (from prime plus 2.5 percent), and lowering the fixed rate to prime plus two percent (from prime plus five percent), will be in place as of November 1, 2019.

2. When does the elimination of interest during the grace period for student loans take effect?

The six-month non-repayment period after a student leaves school will be interest-free starting on November 1, 2019.

3. When does the elimination of interest during the grace period for apprentice loans take effect?

The six-month non-repayment period after an apprentice leaves an apprenticeship will be interest-free starting on November 1, 2019.

4. When will eligibility for the Severe Permanent Disability Benefit (SPDB) be expanded?

Students will be able to benefit from expanded eligibility for the SPDB as of August 1, 2019.

5. When will the Canada Student Grant for Services and Equipment for Students with Permanent Disabilities (CSG-PDSE) cap be increased?

Students will be able to benefit from the increased cap on the CSG-PDSE, specifically from \$8,000 to \$20,000 per year, as of August 1, 2019.

6. When will the loan rehabilitation eligibility be relaxed?

Borrowers in default will be able to benefit from relaxed eligibility for loan rehabilitation, specifically an option to add all of the accrued interest to the principal of their loan, as of January 1, 2020.

7. When will Repayment Assistance Plan for Borrowers with Permanent Disabilities (RAP-PD) restrictions be removed?

RAP-PD restrictions will be removed as of August 1, 2020.

8. When will interest-free and payment-free medical and parental leave come into force?

We expect the introduction of interest-free and payment-free medical and parental leave for a maximum of 18 months to be available to students as of August 2020. This is subject to final approval by the Government.

Lower Interest Rates and Interest-free Non-repayment Period

1. What will be the new interest rates?

Prime for the variable interest rate, and prime plus 2 percent for the fixed interest rate.

2. I am a student graduating in the summer of 2019 - will I benefit from the elimination of interest during the six-month non-repayment period and the lower interest rates?

Interest will accrue on your loan at the current interest rate from the first day you enter the six-month non-repayment period until October 31st and stop accruing from November 1st to the end of your non-repayment period. When you start repaying your loan after November, the lower interest rate will apply.

3. Will the elimination of the interest during the six-month non-repayment period be retroactive?

No, the elimination of the interest during the six-month non-repayment period will not be retroactive. If your six-month non-repayment period ended before November 1, 2019, this change will not apply to you. Borrowers will start to benefit from the elimination of interest on November 1, 2019 until the end of their non-repayment period.

4. Are these changes applicable to provincial student loans?

No, these changes are applicable only to the federal portion of your student loans and to Canada Apprentice Loans.

5. Do the lower interest rates and the new interest-free period apply to both full- and part-time loans?

Yes, the interest rate reduction and elimination of interest during the six-month non-repayment period apply to both full-time and part-time loans.

6. Do I need to apply to benefit from these changes?

You don't need to do anything. These changes will be automatically applied to all eligible existing and future loans.

7. My student loans are in repayment, how will these changes affect my student loans?

Your monthly payment will not change, but since you will be paying less interest, you will likely repay your student loan in a shorter period.

8. Is it possible to switch from the fixed interest option to the variable interest rate option after November 1st, 2019?

No. If you have chosen the fixed interest rate, you cannot go back to the variable rate. However, your fixed rate will go down from prime + 5% to prime + 2%.

Increase of the maximum Canada Student Grant for Services and Equipment for Students with Permanent Disabilities (CSG-PDSE) from \$8,000.00 to \$20,000.00

1. If I have questions about which services and types of equipment are eligible under CSG-PDSE, where can I find more information?

If you require exceptional education-related services or equipment related to a permanent disability, you may be eligible to receive the Canada Student Grant for Services and Equipment for Students with Permanent Disabilities. Examples of services may include a note taker or sign language interpreter. Examples of equipment may include screen reading software or a reading pen.

You can get more information about which services and types of equipment are eligible through your province or territory of residence. A list of provincial and territorial student aid offices is available at:

<https://www.canada.ca/en/services/benefits/education/student-aid/grants-loans/province-apply.html>

2. How do I apply for the Canada Student Grant for Services and Equipment for Students with Permanent Disabilities (CSG-PDSE)?

You can apply for the CSG-PDSE through your province or territory of residence. A list of provincial and territorial student aid offices is available at:

<https://www.canada.ca/en/services/benefits/education/student-aid/grants-loans/province-apply.html>

3. Is the \$20,000 dollar amount a yearly maximum, or does it represent the total maximum for the entire planned period of studies?

This amount represents the maximum grant per loan year.

4. Will the maximum amounts per eligible category of service or equipment also be increased?

No, the maximum amounts per category are not changing at this time.

Expanding Eligibility for the Severe Permanent Disability Benefit (SPDB)

1. What are the expanded eligibility criteria for the SPDB?

As of August 1, 2019, a new definition for severe permanent disability will be in place that will expand eligibility to include those who are able to participate in post-secondary education and/or in work in a limited way.

Specifically, “severe permanent disability” will be defined as a functional limitation caused by a physical or mental impairment that prevents a borrower from performing the daily activities necessary to participate in substantially gainful employment and is expected to remain with the person for their life.

The application process will be similar, in that a medical report, completed by a licensed physician or nurse practitioner, will continue to be required.

2. What does “substantially gainful employment” mean?

“Substantially gainful employment” has the same meaning as for the Canada Pension Plan Disability (CPP-D) Benefit. Specifically, it means work that provides an income greater than twelve times the maximum monthly CPP-D amount. For 2019, this is \$16,347.60 per year.

3. I am waiting for a response to my recent application; will this change affect me and how?

Effective August 1, 2019, SPDB applications will be considered under the new regulations. Given that the eligibility requirements and the form will differ from what may have been submitted, additional information may be requested from the borrower in order to complete the assessment under the new regulations.

Applications processed until August 1, 2019, will be considered under the regulations in force at the time. As is current practice, borrowers who are denied the SPDB can re-apply if their circumstances change or if they have new medical information to support their application. In addition, borrowers who have been denied the SPDB under the previous regulations can submit a new application under the new regulations even if their medical situation has not changed.

4. If I was refused for SPDB recently, how do I go about being re-assessed? Should I re-apply?

Borrowers who have been denied SPDB in the past can re-apply if they want to be assessed in light of the new definition of severe permanent disability.

To be assessed under the expanded eligibility, borrowers must submit a new SPDB application and accompanying medical report.

5. What if I work but not full-time because of my disability - can I apply for SPDB?

Starting August 1, 2019, the new criteria of eligibility for the SPDB will allow for the possibility of employment that is not substantially gainful (for example, a small number of occasional hours).

Borrowers may be eligible for the SPDB if they will never be able to participate in substantially gainful employment due to their permanent disability.

- I am a student in post-secondary education. Now that borrowers able to participate in PSE could be eligible for the SPDB, does that mean I am eligible for further funding?

Once approved for loan forgiveness under the SPDB, borrowers will continue to be restricted from ever receiving additional student financial assistance. Therefore borrowers who may wish to return to school and receive funding may instead wish to consider applying for RAP-PD or other repayment assistance measures instead of SPDB.

Relaxing the Requirements for Loan Rehabilitation

- What are the new requirements for loan rehabilitation (i.e. interest capitalization)?

As of January 1, 2020, in addition to the current rehabilitation criteria (to pay the outstanding interest and make two additional monthly payments); borrowers will also have the option to capitalize their interest to meet the rehabilitation criteria. Specifically, borrowers will have the option to add all of the accrued interest to the principal of their loan (capitalize) in order to rehabilitate their defaulted student loan.

To capitalize interest, borrowers will be required to:

- make a payment arrangement with the Canada Revenue Agency;
- make two monthly payments; and
- make an agreement with the Canada Student Loans Program to have their interest capitalized to the principal of their loan.

- Can I capitalize interest more than once? For example, if my loan goes into default again in the future?

Borrowers will be able to capitalize their interest (i.e. add all of the accrued interest to the principal of their loan) for the purpose of rehabilitation only one time in their lifetime. However, a student loan can still be rehabilitated through the regular process (pay the outstanding interest and make two monthly payments) should the borrower default again.

- How does rehabilitation impact my monthly payment arrangement?

Once the loan is returned to the NSLSC, borrowers will need to sign a revision of terms to acknowledge their new contract, including their new monthly payment, account number and loan amortization.

The borrower's monthly payment will be determined based on their remaining loan balance, using the table below as a guideline; however, rehabilitated borrowers can extend their repayment term to up to 15 years from their rehabilitation date.

<u>Consolidated Loan Amount</u>			<u>Maximum Repayment Period</u>
\$1	to	\$1,365.99	18 months (1.5 yrs)
\$1,366	to	\$2,975.99	42 months (3.5 yrs)
\$2,976	to	\$4,375.99	66 months (5.5 yrs)
\$4,376	to	\$6,985.99	90 months (7.5 yrs)

\$6,986	+	114 months (9.5 yrs)
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4. What happens if I capitalize my interest, but cannot afford my monthly payment? How can I avoid going back into default?

There are several options to help borrowers manage their loan while in repayment.

Borrowers who cannot afford their monthly payment have the option to negotiate a revision of repayment terms to accommodate their financial situation, such as extending the repayment term to reduce the size of monthly payments, or making interest-only payments for a short period of time.

Once a loan is rehabilitated, borrowers may also apply for the Repayment Assistance Plan, which provides repayment support to borrowers with a demonstrated financial need, based on their income, family size, and debt load.

5. I have multiple loans in collections with the Canada Revenue Agency (CRA). Will the interest capitalization option apply to all of my loans?

Yes, capitalization will apply to all of an individual's Canada Student Loans in collections with the CRA at the time of the request.

6. Can I use the interest capitalization for a risk-shared loan that is with a financial institution's private collection agency (i.e. RBC Collections)?

No, interest capitalization may only be used for student loans in collections with the Canada Revenue Agency. A borrower with a loan held by a financial institution must contact the bank to initiate the rehabilitation process.

7. Both the federal and provincial portions of my Direct Integrated Canada-Saskatchewan Student Loan are in collections. Will the interest capitalization apply to both the federal and provincial portions of my loans?

The interest capitalization option is only applicable towards the federal portions of Direct Integrated Canada-Saskatchewan Student Loans in collections at this time. Some provincial governments may also participate in the interest capitalization option, and will provide more information as it becomes available.

8. Can I use interest capitalization to rehabilitate my loan that has been written off?

No, a loan that has been written off cannot be rehabilitated through interest capitalization. However, it can still be rehabilitated through the regular process (pay the outstanding interest and make two monthly payments).

*Please note that when discussing written-off debt with borrowers, use the term "dormant", rather than "written-off", so as to not give the impression that the loan has been forgiven and that the borrower no longer owes the debt.

9. Will it take longer if I opt to capitalize my interest, or will it take the same amount of time as the regular rehabilitation option? What are the benefits of rehabilitating my student loan using interest capitalization?

Once the borrower has been approved, both rehabilitation processes should take the same amount of time (3-4 weeks from the time you are approved by the Canada Student Loans Program).

The benefit of interest capitalization is that it will allow borrowers who may not be able to afford to repay their outstanding interest to meet the rehabilitation criteria sooner, as they will be able to capitalize their interest, rather than waiting until they can afford to pay it off.

This will allow them to be able to access loans and grants to pursue post-secondary education, or repayment assistance to help them pay off their debt.

Removing Repayment Assistance Plan for Borrowers with Permanent Disabilities (RAP-PD) Restrictions

1. What are the changes to restrictions related to RAP-PD?

As of August 1, 2020, borrowers who received RAP-PD will no longer be restricted five years after their period of study end date. These borrowers will be able to apply for further funding.

2. Is the removal of the restriction retroactive? If so, when would the restriction be removed from my account?

Yes. As of August 1, 2020, all RAP-PD restrictions placed on borrowers' federal loan accounts will be removed. Therefore, borrowers who had previously been restricted until their loan was paid-in-full will no longer be restricted on federal loans. However, borrowers will not be able to make a claim for student financial assistance denied prior to August 1, 2020.

3. Am I eligible to have the RAP-PD restriction removed from my account?

All borrowers with permanent disabilities who have used at least one term of RAP-PD will benefit from the removal of this restriction. This includes both those who are currently on RAP-PD and those who have used the measure in the past.

4. How do I have the RAP-PD restriction removed from my account?

The RAP-PD restriction will be removed from borrowers' accounts automatically on August 1, 2020. The borrower does not need to apply to have it removed.

5. I was restricted after benefiting from RAP Stage 2 – will I have this restriction lifted?

No, borrowers who receive RAP Stage 2 will still be restricted from receiving further federal student financial assistance until their loan is paid-in-full.

6. Are these changes applicable to my provincial loan? Will I be able to receive further provincial funding?

The removal of the RAP-PD restriction is for federal loans only at this time. Some provincial governments may also remove the RAP-PD restriction. For more information, contact your provincial or territorial student aid office. A list is available at:

<https://www.canada.ca/en/services/benefits/education/student-aid/grants-loans/province-apply.html>

Interest-Free and Payment-Free Leave for Medical or Parental Reasons

1. When will more information be available on medical or parental leave?

The Canada Student Loans Program is currently working to develop policy and implementation plans for this measure. More information will be available in 2020.